



INTRODUCTION:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organizations operations. It helps an organization accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

*-Definition of Internal Auditing
Excerpted from the Institute of Internal Auditors Mandatory Guidance*

MISSION

The mission of the internal audit activity (hereafter referred to as program audit activity) is to enhance and protect CSA/OCS’ organizational value by providing risk-based and objective assurance, advice, and insight.

PROFESSIONALISM

The program audit activity will govern itself by adherence to The Institute of Internal Auditors (IIA) mandatory guidance including the Mission of Internal Auditing, Definition of Internal Auditing, the Code of Ethics (Appendix A), Core Principles for the Professional Practice of Internal Auditing, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the program audit activity’s performance. In addition, the program audit activity will adhere to all relevant statutes and operating policies and procedures pertaining to the Children’s Services Act and the program audit activity’s standard operating procedures manual.

Core Principles for the Professional Practice of Internal Auditing. The program audit activity will continuously strive to be effective by operating in a manner that is consistent with the IIA’s Core Principles:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

AUTHORITY

Program Audit staff has the authority to audit all activities, program, and functions of Children's Services Act programs and shall, to the extent permitted by law, have full, free and unrestricted access to any and all CSA activities, records, properties, and personnel relevant to any area under review. All records, documents, and information accessed by OCS Program Auditors in the course of undertaking program audit activities will be handled in the same prudent and confidential manner as those employees normally accountable for such.

ORGANIZATION

The Program Audit Manager (hereafter referred to as Chief Audit Executive or CAE) reports functionally and administratively to the Executive Director of the Office of Children's Services. In accordance with the Virginia Personnel Act and employment policies established by the Virginia Department of Human Resources, the Executive Director selects and can remove the CAE, as well as approve the remuneration of the CAE. In addition, the Executive Director will:

- Approve the program audit charter.
- Approve the risk based program audit plan.
- Communicate with the CAE on the program audit activity's performance relative to its plan and other matters.
- Make appropriate inquiries of CSA management and the CAE to determine whether there is inappropriate scope or resource limitations.

Code of Virginia [§ 2.2-308](#) established the Office of the State Inspector General (OSIG) effective July 1, 2012. As it pertains to internal audits and in accordance with [§ 2.2-309](#), OSIG is charged with: "(1) Coordinate and require standards for those internal audit programs in existence as of July 1, 2012, and for other internal audit programs in state agencies and nonstate agencies as needed in order to ensure that the Commonwealth's assets are subject to appropriate internal management controls; and (2) Assist agency internal auditing programs with technical auditing issues and coordinate and provide training to the Commonwealth's internal auditors." As OSIG is required to provide oversight of state agency internal audit programs and [§ 2.2-310](#) that mandates the cooperation of state agencies and officers, the program audit activity will adhere to any OSIG directives.

INDEPENDENCE AND OBJECTIVITY

The program audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

To avoid a conflict of interest in appearance or fact, Program Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the auditor's judgment.

Program Auditors may participate in work groups or act as a consultant for CSA related projects. In such cases, Program Auditors may provide opinions and/or recommendations; however, in all cases, the ultimate responsibility for the project rests with CSA/OCS management.

Program Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Authority for the establishment and maintenance of the system of internal controls rests with CSA/OCS management. CSA/OCS management also has authority for implementing or not implementing suggestions made by Program Audit staff.

The CAE will confirm to the OCS Executive Director at least annually, the organizational independence of the program audit activity.

NATURE OF SERVICES

The program audit activity provides assurance and consulting services to CSA programs. Assurance and consulting services may be conducted using the traditional audit format (in-person) or the remote audit process (desk reviews) as determined by periodic risk assessment (no less than annually). Assurance services would include activities that assess, evaluate, and conclude on compliance, internal controls, performance, financial reporting, and/or safeguarding of assets and data. Consulting services generally consists of participation on workgroups, committees, and projects as requested by senior management. The program audit activity will be cognizant of non-audit services that could potentially affect independence and objectivity of future audits, and will address these with the OCS Executive Director.

The scope of program audits encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Assessing the adequacy of CSA risk management, control, and governance processes;
- Reviewing operations to determine whether established goals and objectives of CSA are accomplished;
- Evaluating the extent of compliance with applicable CSA laws, statutes, regulations, policies, procedures, plans, etc.;
- Appraising the adequacy of internal controls over the reliability and integrity of information;
- Ascertaining the adequacy of controls to safeguard assets and data;
- Evaluating whether assets are used effectively and efficiently; recommending operational improvements;
- Coordinating with localities to facilitate resolution to issues through discussion, networking, research, and/or referral to appropriate resources outside the Office of Children's Services; and
- Educating stakeholders of the importance of risk management and internal control processes in achieving organizational effectiveness.

INTERNAL AUDIT PLAN

The Chief Audit Executive will develop a flexible three-year program audit plan and submit this to the OCS Executive Director for review and approval. The program audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of CSA stakeholders. The Chief Audit Executive will review the audit plan annually and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved program audit plan and impact of resource limitations will be communicated to OCS Executive Director through periodic activity reports.

AUDIT COORDINATION

Program Audit staff will coordinate audit efforts so as not to duplicate or overlap the work performed by other audit groups, particularly independent external audit resources; local agency internal audit functions; other partnering CSA state agency audits/reviews (Department of Social Services, Department of Medical Assistance Services, Department of Behavioral Health and Developmental Services, Department of Health, and Department of Juvenile Justice); Office of the State Inspector General; and the Auditor of Public Accounts.

REPORTING AND MONITORING

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each program audit engagement and will be distributed as appropriate. The final report will include significant audit observations, corresponding recommendations, as well as audit client responses to each observation. Final audit reports are furnished to the OCS Executive Director, as well as published on the OCS website.

The program audit activity will be responsible for appropriate follow-up on engagement observations and recommendations. Program Audit staff will track the status of all audit observations and recommendations, and will periodically follow-up with CSA management to determine if the quality improvement tasks have been implemented. All significant observations will remain in an open issues file until cleared.

The Chief Audit Executive will periodically report to the OCS Executive Director on the program audit activity's purpose, authority, and responsibility, as well as performance relative to its plan to include: audits completed, progress in implementing the audit plan, and the status of any projects undertaken. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The program audit activity will maintain a quality assurance and improvement program that covers all aspects of the program audit activity. The program will include an evaluation of the program audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether program auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the program audit activity and identifies opportunities for improvement.

The Chief Audit Executive will communicate to the OCS Executive Director the program audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Program Audit Activity charter approved this 19th day of January, 2022.


Stephanie S. Bacote, CIGA
Program Audit Manager/CAE


Scott Reiner, Executive Director

APPENDIX A - IIA CODE OF ETHICS

The Code of Ethics states the principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing. It describes the minimum requirements for conduct, and behavioral expectations rather than specific activities. The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

{ CODE of ETHICS... }

// PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

- **Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

- **Confidentiality**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- **Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

// RULES OF CONDUCT

1. **Integrity**

Internal Auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. **Objectivity**

Internal Auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. **Confidentiality**

Internal Auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. **Competency**

Internal Auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.